

ROPES & GRAY LLP  
1211 AVENUE OF THE AMERICAS  
NEW YORK, NY 10036-8704  
WWW.ROPESGRAY.COM

August 25, 2008

David S. Elkind  
212-841-0608  
david.elkind@ropesgray.com

**BY HAND**

Hon. George B. Daniels  
United States District Judge  
Southern District of New York  
Daniel Patrick Moynihan Courthouse  
500 Pearl Street, Room 630  
New York, NY 10007

Re: In re Calpine Corp.: 1:07-cv-03088 (UA)

Dear Judge Daniels:

We are counsel for appellants (i) HSBC Bank USA, National Association, as Indenture Trustee (the “Trustee”) for the holders of \$640,000,000 of Second Priority Secured Floating Rate Notes Due 2010 (the “Second Priority Notes”) issued by Calpine Generating Company, LLC and CalGen Finance Corp. (collectively, “CalGen”) and (ii) The Bank of New York, as Administrative Agent (the “Administrative Agent” and together with the Trustee, the “Second Priority Debt Representatives”) for the holders of CalGen’s \$100,000,000 of Second Priority Secured Institutional Term Loans Due 2010 (the “Second Priority Loans”), in the above-referenced consolidated appeals from orders of the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). We are writing on behalf of our clients, and on behalf of the reorganized debtors, Calpine Corp., et al. (the “Debtors”), and the Official Unsecured Creditors’ Committee of Calpine Corp., et al. (the “Creditors’ Committee”).

We are writing to inform Your Honor that the Second Priority Debt Representatives, the Debtors, and the Creditors’ Committee have reached an agreement in principle settling all of the claims of the Second Priority Debt Representatives, including the appeals between the foregoing parties relating to the Second Priority Notes and the Second Priority Term Loans. The Second Priority Debt Representatives, Debtors, and the Creditors’ Committee are currently finalizing the terms of a stipulation that will document the settlement, and expect to submit it to the Bankruptcy Court promptly for approval. Counsel for the Debtors and counsel for the Creditors Committee have reviewed and join in this letter.

As a result of the settlement, the issues raised on appeal by the Second Priority Debt Representatives will be resolved. Pending final approval of the foregoing settlement by the

ROPEs &amp; GRAY LLP

- 2 -

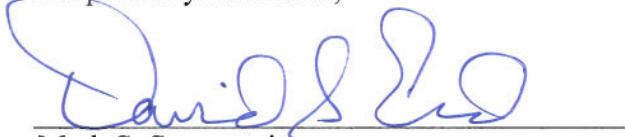
August 25, 2008

Bankruptcy Court, we, together with the Debtors and the Creditors' Committee, ask that Your Honor defer issuing any ruling relating to the issues in the pending appeal.

The foregoing settlement would not resolve the appeal before Your Honor by the trustee of the third priority debt of CalGen, nor would it resolve the appeal by the Debtors and the Creditors' Committee with respect to the third priority debt.

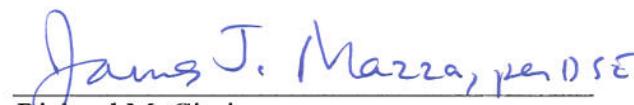
We thank Your Honor for your consideration.

Respectfully submitted,



Mark S. Somerstein  
 David S. Elkind  
 Amy Vanderwal  
 ROPEs & GRAY LLP  
 1211 Avenue of the Americas  
 New York, NY 10036-8704  
 Telephone: (212) 596-9000  
 Facsimile: (212) 596-9090

Attorneys for HSBC Bank USA, National Association, as Indenture Trustee and The Bank of New York, as Administrative Agent



Richard M. Cieri  
 Marc Kieselstein  
 David R. Seligman  
 Edward O. Sassower  
 James J. Mazza, Jr.  
 KIRKLAND & ELLIS LLP  
 153 East 53rd Street  
 New York, New York 10022-4611  
 Telephone: (212) 446-4800  
 Facsimile: (212) 446-4900

Attorneys for the Reorganized Debtors and Debtors-in-Possession



Michael S. Stamer  
 Philip C. Dublin  
 AKIN GUMP STRAUSS HAUER & FELD LLP  
 590 Madison Avenue  
 New York, NY 10022  
 Telephone: (212)-872-1077  
 Facsimile: (212)-407-3277

Attorneys for the Official Committee of Unsecured Creditors of Calpine Corp., *et al.*

ROPES & GRAY LLP

- 3 -

August 25, 2008

cc: Martin J. Bienstock  
Judy G.Z. Liu